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RHEBAAA/DEPT OF ENERGY WASHINGTON DC

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SENSITIVE  
SIPDIS

STATE FOR ISN/ECC - YWONG, ACHURCH, AND ROWEN  
STATE FOR EAP/TC - MTOYRYLA  
STATE FOR ISN/MTR - PDURHAM, SBOYER, JMAYES, AND RPALMIERO  
DHS/CBP/INA FOR D KING  
DOE/NNSA/INECP FOR TPERRY AND SJONES

E.O. 12958: N/A

TAGS: [ETTC](#) [MNUC](#) [PARM](#) [PREL](#) [KSTC](#) [KNNP](#) [TW](#)

SUBJECT: EXBS: TAIWAN MONTHLY REPORTING CABLE - AUGUST 2008

REF: A. 08 TAIPEI 1305

[1](#)B. 08 STATE 91796

[1](#)I. BROAD ITEMS OF INTEREST TO ADVISORS AND AGENCY MANAGERS:

[1](#)A. (SBU) On August 22, the Advisor briefed officials of the U.S.-China Economic and Security Review Commission on the current status of Taiwan's export control system. The commissioners were particularly interested in Taiwan's relaxation of caps for investments in China by Taiwan companies, and rules related to export controls of semiconductors destined for China.

[1](#)B. (SBU) On August 28, the Advisor and Econoff met with officials of the Mainland Affairs Council of the Executive Yuan to discuss Taiwan's plan to relax export controls rules on semiconductor equipment to China. See reftel A.

II. COMPLETED ACTIONS FOR THE REPORTING PERIOD.

[1](#)A. SITE ASSESSMENTS AND MEETINGS DURING REPORTING PERIOD:

[1](#)1. (SBU) On August 14, the Advisor met with officials of the Taiwan External Trade Development Council (TAITRA) to discuss trade promotion activities in North Korea and Burma. TAITRA is a non-governmental organization funded partly by the Ministry of Economic Affairs (MOEA). TAITRA works closely with the Trade Development Division of the Bureau of Foreign Trade of the MOEA in its trade promotion activities.

NORTH KOREA:

(SBU) TAITRA officials stated that the trade relationship with North Korea began in 2000. At that time, Taiwan and North Korea formed the North Korea-Taiwan Committee for Promotion of Private Sector Economy and Technology. This Committee is headed by TAITRA. During the initial engagement period, Taiwan visited and received information from the China Council for the Promotion of International Trade based in Jilin province of China, located just above North Korea. However, until recently, the Committee was fairly dormant in its trade promotion activities. TAITRA organized a trade mission in February 2008 and in the Pyongyang International Trade Fair in May 2008. The Trade Fair was attended by representatives of 22 Taiwan companies.

(SBU) Also in 2000, North Korean officials visited Taiwan at the invitation of Taiwan companies but did not meet with TAITRA. Following the company visit, a North Korean Government-Taiwan industry committee was formed, also called the North Korea-Taiwan Committee for Promotion of Private Sector Economy and Technology. As with the official committee, TAITRA officials stated that this committee exists in name only and has not been used to facilitate trade between Taiwan and North Korea. Since then, North Korean Government officials have continued to visit Taiwan companies several times a year. TAITRA officials added that TAITRA is not involved in these visits and that neither North Korean officials nor

Taiwan company representatives have reached out to TAITRA for official meetings during the visits.

(SBU) Taiwan's major import from North Korea is coal. Taiwan's major exports to North Korea are uncombed synthetic fiber and cotton, oxygen-function amino-compounds, petroleum and oils obtained from asphalt, electrical products and electronics. (Source: 2006 Taiwan trade statistics.) As the trade relationship develops, Taiwan is looking at the following industries for trade promotion: mineral; machinery and manufacturing equipment; electrical products and electronics; base metal; fibers; plant oil; prepared food; animal products; chemicals; raw plastics and plastics products; and transportation vehicles. For the manufacturing equipment sector, the focus would be on exports of equipment to produce toothpaste, soap, cosmetic containers, construction material (cement, brick, paint, glass) and general consumer merchandise. North Korea has 56% of the world's natural magnesium carbonate deposits as well as 300 different types of mineral deposits. TAITRA said North Korea has been courting Taiwan companies for form joint ventures and seeking other types of investments.

(SBU) China is the leading exporter of goods to North Korea, mostly by companies in the North East part of China. (The Republic of Korea is the leading importer of goods from North Korea, mostly manufactured goods from economic zones established just across the Demilitarized Zone.) The fact that all travel to North Korea must transit through Beijing or Shenyang has worked to China's advantage.

China has also taken advantage of its lead position by paying lower than market value for commodities, such as coal, imported into China. This has made North Korea aggressively explore trade opportunities with other countries.

(SBU) Currently, all North Korean companies are state-owned. Since North Korea does not have tradable currency, barter trade is the main form of exchange. For example, North Korea proposed that it pay Taiwan companies with finished products made with the equipment imported from Taiwan rather than purchasing the equipment with currency. Regardless of North Korea's overtures, according to TAITRA, it would be difficult for Taiwan companies to invest in North Korea until North Korea transforms its way of doing business. TAITRA added that establishing special economic zones for manufacturers and developing legal norms would be a good starting point in attracting foreign investments.

(SBU) In summary, TAITRA officials said North Korea is being looked at as the next Vietnam in terms of establishing a manufacturing base for Taiwan companies. However, North Korea has strong structural impediments which prohibit development of a viable, long-term trade relationship. The officials emphasized that the biggest political hurdle for North Korea to overcome is trade restrictions imposed by many countries around the world. The officials added that future trade development for Taiwan greatly depends on the outcome of the Six-Party talks.

#### BURMA:

(SBU) Taiwan has had a long trade relationship with Burma. All of Taiwan's investments, however, are made through third countries, such as Singapore and Thailand, due to political issues between China and Taiwan. The officials stated that any trade activity by Taiwan business people is strictly controlled. Taiwan business people cannot use the word "Taiwan" in any document for business purposes. In the past, approximately 500 Taiwan companies operated in Burma; now, the number has been reduced to approximately 100. There is only one high technology Taiwan company, a maker of optical lenses, in Burma. That company's products are exported back to Taiwan or other countries through neighboring countries like Singapore and Thailand. There is great potential for trade with Burma but Burma needs to change its relationship with Taiwan before that potential can be realized, the officials added.

#### 1B. BLUE LANTERN:

(SBU) One blue lantern check was conducted during the reporting period. The results of the check have been reported to PM/DDTC.

#### III. TRAINING CONDUCTED DURING REPORTING PERIOD:

1A. (SBU) From August 6-7, along with an official from ISN/CTR, the Advisor briefed Singapore interagency officials on changes to the Wassenaar Arrangement control list and U.S. implementation of those changes. This was the same update provided to Taiwan officials in March. See ref tel B.

1B. (SBU) On August 18, the EXBS Advisor, ISN/ECC official, and a contractor from a Department of Energy laboratory reviewed Republic of Korea's YesTrade, an internet-based license processing and internal control system. ISN/ECC is exploring the use of YesTrade as a baseline for developing an electronic license processing system for certain cooperating countries.

### III. UPCOMING TRAINING:

1A. (SBU) From September 22-26, the Advisor will be in Seoul to participate in the Fourth Regional Assistance and Protection Course for Asian States Parties hosted by the ROK and the OPCW (September 22-24), attend an industry outreach event sponsored by the Korea Strategic Trade Institute (September 25), and meet with officials of the Ministries of Knowledge Economy and Foreign Affairs and Trade (September 26).

1B. (U) During mid-December, an Industry-Government Outreach program, implemented by the Department of Energy, is being planned in Taichung. This program will follow the same format as the July program but for companies located in Central Taiwan. Many machine tool manufacturers are located in Taichung.

### IV. UPCOMING MEETINGS:

1A. (SBU) On September 4, the Advisor is scheduled to meet with TAITRA officials to discuss Taiwan's trade promotion activities in the Middle East, with a particular focus on Iran and the United Arab Emirates.

1B. (SBU) On September 4, the Advisor will meet with Kang Da, the local subcontractor for ICP software development, and the Bureau of Foreign Trade to review the progress of the software development.

1C. (SBU) On September 9, the Advisor plans to meet with Ministry of Justice Investigation Bureau agents to review recent export control enforcement efforts.

1D. (SBU) On September 10, the Advisor will participate in the Australia Group's briefing on its recent activities to Taiwan officials. Representatives from Japan and the Czech Republic are also expected to attend. The meeting is hosted by the Ministry of Foreign Affairs.

1E. (U) During the week of September 9, the Advisor plans to attend parts of SEMICON 2008 in Taipei, a trade show of integrated circuit design, manufacture, supply, and application.

### VI. RED FLAG ISSUES:

None.

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YOUNG